



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 31, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NewFirst National Bank
Charter Number 6112**

**202 East Jackson
El Campo, TX 77437**

**Comptroller of the Currency
Assistant District Comptroller - Houston West
1301 McKinney Street, Suite 3410
Houston, TX 77010-9010**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated “Satisfactory.”

NewFirst National Bank (NewFirst) is responsive to the credit needs of its community including small businesses and low- and moderate-income individuals in the bank’s assessment area. The following factors support this conclusion:

- Lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of NewFirst’s loans have been originated within its assessment area with 86% in number and 85% in dollar volume.
- The geographic distribution of loans to small businesses is reasonable and exceeds the characteristics of the assessment area in low- and moderate-income census tracts. The distribution of 1-4 family residential mortgage products exceeds the individual demographics for moderate-income census tracts.
- Lending to small businesses reflects a reasonable level of real estate and commercial loans. Lending to individuals for 1-4 family residential mortgage products is also reasonable.
- NewFirst’s loan-to-deposit ratio has recently increased and is satisfactory.

DESCRIPTION OF INSTITUTION

NewFirst is a \$130 million full service community bank headquartered in El Campo, Texas that opened in 1902. The bank was formerly the First National Bank of El Campo and changed its name to NewFirst National Bank on January 22, 2002. El Campo is primarily a rural and agricultural community known as the “Pearl of the Prairie.” It is located 65 miles southwest of Houston, Texas. The bank is not a subsidiary of a holding company.

NewFirst operates in Texas in three locations with the main bank in El Campo. The closest branch is in Wharton, Texas, a short distance from El Campo, and the bank recently opened a second branch in Rosenberg, Texas, about 45 minutes from downtown Houston, Texas on December 3, 2001 in a temporary facility. In July of 2002, the Rosenberg branch was moved to its permanent location. The El Campo and Wharton locations are in Wharton County. The Rosenberg branch is in Fort Bend County. NewFirst’s main office in El Campo is located in a moderate-income census tract, the branch in Wharton is in an upper-income tract, and the Rosenberg branch is in a middle-income tract. Branches have not been closed since the prior examination, but Rosenberg was opened after the 1998 examination. Banking hours are reasonable and meet community needs with lobby hours Monday through Friday, extended lobby hours on Fridays, and motor banking at each location. Only the Rosenberg branch offers Saturday motor banking service. An Automated Teller Machine (ATM) is available at each

location, and El Campo and Wharton have one ATM at another site within the cities in addition

to the ATM at the bank.

NewFirst is primarily a commercial lender. At December 31, 2002, all loans represented 35% of assets of \$130 million. The loan portfolio composition is displayed in the table below:

Loan Category	\$ (000)	%
Commercial Real Estate and Development Loans	16,099	35%
Commercial Loans	12,481	27%
1-4 Family Residential Real Estate Loans	4,193	9%
Agriculture Loans	7,856	17%
Consumer Loans	5,139	11%
Other	307	1%
Total	46,075	100%

NewFirst offers a full range of deposit and loan products, including Internet banking. In addition, the bank offers mortgage, trust, investment, and insurance services. Significant variances do not exist between locations. Financial or legal impediments do not exist that prevent NewFirst from meeting the credit needs of the community. There have not been any significant changes in the bank's corporate structure.

NewFirst obtained a "Satisfactory" rating in the prior CRA evaluation dated May 4, 1998.

DESCRIPTION OF WHARTON AND FORT BEND COUNTIES

NewFirst's assessment area is legal and meets the requirements of the regulation. The two counties have significantly different characteristics.

Wharton County is a center for agriculture commerce producing rice, milo, corn, cotton, soybeans, and beef cattle. The county is one of the top three rice producing counties in Texas. The county's population was approximately 41 thousand in 2000, slightly more than the 1990 population of 40 thousand. Employment opportunities are limited. The major employers with more than 250 employees are Cardell Cabinets, Inc., El Campo Independent School District, Greenleaf Nursery, Gulf Coast Medical, Nan Ya Plastics, Wharton County Jr. College, Wharton Independent School District, and H-E-B Grocery. The current unemployment rate is estimated at 6.1%. A community contact, a local Chamber of Commerce and Agriculture leader, stated the current economic conditions need improvement, housing for all income levels is a primary need, and a secondary need is new business and industry. The contact stated that all local financial institutions are willing to lend and work well with the community.

Fort Bend County is adjacent to Wharton County and is one of the most affluent and fastest growing regions of the Houston metropolitan area. Over 37 planned communities in Fort Bend are announced, under construction, or nearly complete with an average new home sales price of \$183 thousand. Population growth was 8.1% from 2001 to 2002 with an estimated population of 387 thousand in the county. Projections for 2020 predict a doubling of the population. Projections for 2003 predict a 3.8% population growth, 1.9% job growth, and unemployment of

4.0%. Major employers include Fort Bend Independent School District, Fluor Corporation, Lamar Independent School District, Unolocal Corporation, Schlumberger Company, Texas Department of Criminal Justice, and Fort Bend County. Although most of Fort Bend has experienced rapid growth, Rosenberg has an estimated 2002 population of 25 thousand and only modest growth with relatively little new business. However, population percentage increases are expected to double in the future in line with Fort Bend County estimates. Average household income is nearly \$47 thousand, and a significant 18% of families in Rosenberg live at or below the poverty level. The average owner occupied housing value is \$81 thousand, well below the average for other areas of Fort Bend County. Rosenberg does not have any major employers. Workers are primarily employed in service and retail small businesses. Competition is significant with six banks and two credit unions located in the city.

Combined assessment area information reflects family income levels and percentages as low income (14.0%), moderate income (13.1%), middle income (20.9%), and upper income (52.0%). The following information is from Demographic Data found on a CRA Wiz report for the entire assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	70,118
Number of Households	84,780
<i>Geographies</i>	
Number of Census Tracts	60
% Low-Income Census Tracts (1)	1.67%
% Moderate-Income Census Tracts (7)	11.67%
% Middle-Income Census Tracts/BNA (25)	41.67%
% Upper-Income Census Tracts/BNA (27)	45.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$44,722
2002 HUD-Adjusted MFI	\$55,292
<i>Economic Indicators</i>	
Unemployment Rate	2.64%
1990 Median Housing Value	\$72,409
% Of Households Below Poverty Level	10.13%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets the standard for satisfactory performance.

The average loan-to-deposit ratio since the last CRA evaluation has averaged 31.34%, below the bank's peer group in El Campo; however, the loan-to-deposit ratio has increased with the opening of the Rosenberg branch and is expected to continue to increase with a 60% ratio as the goal. Lending opportunities in Fort Bend significantly exceed the opportunities to lend in Wharton County. The loan-to-deposit ratio at March 31, 2003 had risen to 43.59%, and most of

that increase was from the Rosenberg branch. Rosenberg had an 88% loan-to-deposit ratio on that date. NewFirst is subject to strong competition from other national banks, state banks, and non-bank financial entities in its assessment area in both counties.

The loan-to-deposit ratio is compared to NewFirst's competition in El Campo in the following table. Its competitors have branches outside of El Campo.

Institution	Assets (as of 9/30/2002) (000)	LTD Ratio at 9/30/02
Commercial State Bank	\$112,753	69.95%
First State Bank	115,772	62.85%
Community State Bank	\$59,877	43.30%
NewFirst National Bank	\$115, 715	34.45%

The following table illustrates recent increases in the loan-to-deposit ratio:

Date	Net Loans (000)	LTD Ratio
September 30, 2002	\$34,590	34.45%
December 31, 2002	\$44,976	39.21%
March 31, 2003	\$52,783	43.59%

Lending in Assessment Area

NewFirst exceeds the standard for satisfactory performance both in number (85%) and dollar volume (86%) of new loan originations. Commercial real estate and development and commercial loans are the primary lending focus representing 62% of the loan portfolio. The fastest growing segment is 1-4 family residential real estate loans. The analysis included 22 commercial real estate and development, 22 commercial, and 26 1-4 family residential real estate loans. Performance in each category is reflected in the following table:

TOTAL LOANS REVIEWED (January 1, 2002 through March 31, 2003)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial Real Estate	20	91%	\$3,563	88%	2	9%	\$483	12%
Commercial Loans	20	91%	\$460	76%	2	9%	\$144	24%
1-4 Family Residential	20	77%	\$1,469	81%	6	23%	\$348	19%
Total Reviewed	60	86%	\$5,492	85%	10	14%	\$975	15%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to small businesses and borrowers of different income levels meets the standard for satisfactory performance.

The largest primary loan product, commercial real estate and development, is presented first. For these loans, 2002 Dun and Bradstreet information on businesses in the assessment area was used. The sample was 20 loan originations (\$3,563,809) in the assessment area. The bank's performance is below the average but still reasonable because of loans to several long-time customers with revenues in excess of \$1 million per year and several new customers who are real estate developers having revenues over \$1 million per year. The bank's performance is shown in the following table:

BORROWER DISTRIBUTION OF COMMERCIAL REAL ESTATE LOANS TO BUSINESSES (January 1, 2002 through March 31, 2003)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	95%	5%
% of Bank Loans in AA #	75%	25%
% of Bank Loans in AA \$	68%	32%

For commercial loans to businesses, 2002 Dun and Bradstreet information in the assessment area was used. The sample was 20 loan originations (\$459,891) in the assessment area. The bank's performance is reasonable and reflected in the following table:

BORROWER DISTRIBUTION OF COMMERCIAL LOANS TO BUSINESSES (January 1, 2002 through March 31, 2002)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	95%	5%
% of Bank Loans in AA #	85%	15%
% of Bank Loans in AA \$	94%	6%

For 1-4 family residential mortgage real estate loans to consumers, the sample was 20 loan originations (\$1,469,000) in the assessment area. The sample was primarily home purchases. Home improvement loans were selected to complete the sample. The percentage of families is from census information. The bank's performance is reasonable. Lending to moderate-income borrowers exceeds assessment area characteristics for the number of loans.

1-4 FAMILY RESIDENTIAL REAL ESTATE LOANS (January 1, 2002 through March 31, 2003)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% of AA Families ¹							
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
% of AA Families ¹	14%		13%		21%		52%	
Total	5%	.41%	30%	12.46%	20%	12%	46%	75%

Geographic Distribution of Loans

NewFirst's performance meets the standard for satisfactory performance.

For the borrower distribution of commercial real estate and development loans and commercial loans to businesses, 2002 Dun and Bradstreet information was used. The sample was 20 loan originations (\$3,563,809) for commercial real estate and development and 20 loan originations (\$459,891) for commercial loans. Lending is in all census tracts and exceeds the characteristics of the assessment area in low- and moderate-income census tracts. NewFirst's performance is reflected in the following table:

ALL COMMERCIAL LOANS (January 1, 2002 through March 31, 2003)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses ⁶	1.6%		5.1%		34.9%		58.4%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Real Estate	5.0%	1.4%	15.0%	19.0%	50.0%	57.1%	30.0%	22.5%
Commercial	5.0%	2.9%	10.0%	4.6%	55.0%	42.7%	30.0%	49.8%
Totals	5.0%	1.6%	12.50%	17.4%	52.50%	55.4%	30.0%	25.6%

For 1-4 family residential real estate, the loan sample was 20 loan originations (\$1,469,000) in the assessment area. The sample was primarily home purchases, and home improvement loans were selected to complete the sample. The comparison is to owner occupied units in the census tracts from census information. The table below illustrates that lending opportunities are limited in low-income census tracts because of a low percentage of owner occupied homes. Although no loans were made in low-income tracts, NewFirst's lending in moderate-income tracts exceeds the tract characteristics for the number of loans. The following table summarizes:

1-4 FAMILY RESIDENTIAL REAL ESTATE LOANS (January 1, 2002 through March 31, 2003)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied ⁴	0.6%		5.5%		36.4%		57.5%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0%	0.0%	15.0%	3.7%	45.0%	29.8%	40.0%	66.5%

Responses to Complaints

There were no complaints relating to the bank's CRA performance made since the last CRA evaluation.

Fair Lending Review

An analysis of three years of public comments, consumer complaint information, and Home Mortgage Disclosure Act information was performed according to the Comptroller of the Currency's risk based fair lending approach. Based on its analysis of the information, the

Comptroller of the Currency decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

Other Information

A bank officer has served on the Board of directors for Fort Bend Housing Finance Corporation for low- and moderate-income borrowers for the last five years.

Bank officers have been actively involved in the revitalization of an old high school in El Campo. The building now houses a library, Girls and Boys Club, and an adult learning center from the University of Houston. The local Rotary Club, of which officers are members, plans to assist in the building of a covered swimming pool and racquetball court. The facilities are available for use to everyone, and the local hospital will also use these facilities for patient rehabilitation.